

# **AN OVERVIEW OF WASHINGTON'S TAX STRUCTURE**



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## MAJOR CATEGORIES OF REVENUE IN WASHINGTON

Taxes are a very important revenue source for Washington, comprising almost all of general fund revenues. The three types of taxes that most states rely on are property, income, and excise taxes. Property taxes consist of annual assessments on real property (land and structures) and personal property (business equipment, etc.) and are levied on the fair market value of the property. Income taxes include federal and state taxes levied on the annual income of individuals and corporations. Excise taxes generally apply to a specific transaction and are based on the selling price or some measure of gross income. Excise taxes include general sales and gross receipts taxes. The following table shows how much the major tax sources contribute to the general fund. Totals may differ due to rounding.

Major Tax Sources - November 1996 Forecast		
Revenue Source	1995-97	% of Total
Sale & use	\$10,106.3	52.2%
Business & occupation	\$3,595.5	18.6%
Property tax (schools)	\$2,677.4	13.8%
Motor vehicle excise	\$921.6	4.8%
Real estate excise	\$572.4	3.0%
Public utility	\$438.4	2.3%
Insurance premiums	\$299.5	1.1%
Cigarette/tobacco	\$155.6	0.8%
Liquor, beer, & wine	\$146.3	0.8%
Estate	\$112.3	0.6%
Timber excise	\$51.7	0.3%
Public utility district	\$62.8	0.3%
Watercraft excise	\$19.6	0.1%
Other	\$211.3	1.1%
Total	\$19,370.8	100.0%

## **MAJOR EXCISE TAXES**

### **Sales and Use Tax**

The largest source of tax revenue to the general fund is the retail sales and use tax. Sales and use taxes are estimated to generate \$10.1 billion in the 1997-99 biennium and comprise 52.2% of general fund tax revenue.

#### **Tax base:**

The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. Examples of taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services.

The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

#### **Rate:**

6.5% applied to the total selling price of the article or service. An additional sales tax of 5.9% applies to car rentals (not leases).

#### **Major Exemptions:**

Major items not taxed include groceries, prescription drugs, motor vehicle fuel, utility services, professional services (e.g. medical, legal), certain business services (e.g. accounting, engineering), manufacturing and manufacturing research and development machinery and equipment (including repair and replacement), and items that become a component part of a final product for sale.

#### **Deferrals/Exemptions:**

There are 5 major sales tax deferral programs. The distressed area deferral/exemption program targets economically distressed areas. Manufacturing, research and development, and computer service businesses may defer sales and use taxes on building construction and expansion if the floor space or production capacity is increased. The business is required to create at least one job per \$750,000 of investment if the project qualifies because it is in a community empowerment zone, in a county containing a community empowerment zone, or in a county that is contiguous to a distressed county. The deferred taxes are forgiven if the investment project meets the program criteria during the repayment period. The new business deferral program is available statewide to manufacturing and research and development firms that were not doing business in the state prior to 1985 and that applied before July 1, 1995. The sales and use tax on new buildings, equipment and machinery, and installation labor is deferred for a three-year period after completion of the project. The business is required to repay the deferred taxes over a five-year period. Construction must have begun by December 31, 1995. The high technology deferral/exemption program is available statewide to businesses involved in "high-tech" research and development and pilot-scale manufacturing. This includes biotechnology, advanced computing, electronic device technology, advanced materials, and

environmental technology. These businesses may defer sales and use taxes on buildings, machinery and equipment, and installation labor. These taxes need not be repaid unless the project is used for a non-qualifying purpose in the first eight years. If used for a non-qualifying purpose, a pro-rata share of the taxes are due. However, no repayment is required on manufacturing machinery and equipment. Construction of a thoroughbred horse race track west of the cascade mountains and machinery and equipment used to operate the track, and construction of a baseball stadium with a retractable roof and natural turf, are eligible for sales and use tax deferral. Taxes are deferred for 5 years and must be paid over a 10-year period.

### **Distribution of Revenues:**

All state sales and use tax revenues are deposited in the general fund, except the sales and use tax on water pollution control devices is deposited in the water quality account and the additional sales tax on car rentals is distributed in the same manner as the motor vehicle excise tax.

### **Local Sales and Use Taxes:**

Local governments may impose local sales and use taxes on the same base as the state at the following rates (maximum local rate is 2.8% except in King county the maximum rate is 2.817%):

Counties/Cities	up to 1.0%
Criminal Justice (City/County)	0.1%
Counties over 1 million (baseball) (credited against the state tax)	up to 0.017%
Transit Districts	up to 0.6%
High Capacity Transit	up to 1.0% (0.9% if criminal justice tax imposed)
Juvenile detention/jails (Counties below 1 million in population)	0.1%
Public facilities districts	0.1%

In addition, counties with a population of one million or more may impose a tax of up to 0.5% on the sale of food and beverages by restaurants, taverns, and bars to fund a baseball stadium.

Local governments may impose additional local sales and use taxes on car rentals at the following rates (maximum local rate is 3.172% except in King county the maximum rate is 5.172%):

Counties	up to 1.0%
Counties over 1 million (baseball)	up to 2.0%
Transit Districts (deducted from the state rate)	up to 1.944%
High Capacity Transit	up to 2.172%
High Occupancy Transit (King, Pierce, Snohomish counties) (deducted from high capacity transit rate)	up to 0.885%

## **Business and Occupation Tax**

The business & occupation tax (B&O) is levied for the privilege of doing business in Washington and is the second largest revenue source for the general fund. It is estimated to generate \$3.6 billion in the 1997-99 biennium and comprises 18.6% of general fund tax revenues.

### **Tax base:**

The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state. Unlike a corporate net income tax, there are no deductions for the costs of doing business.

### **Rates:**

Currently, there are 13 different B&O tax rates. All B&O tax classifications except retailing, financial services, selected business services, and public and nonprofit hospital services are subject to a 4.5% surtax through June 30, 1997. As of January 1, 1995, the five principal rates, including the surtax, are:

Manufacturing, wholesaling, & extracting	0.506%
Retailing	0.471%
Services	
- Business Services	2.0%
- Financial Services	1.6%
- Other activities	1.829%

### **Major Exemptions:**

Non-retailing businesses with incomes of \$12,000 per year or less do not need to register with the Department of Revenue. Non-retailing businesses with incomes of \$12,000 per year or less do not need to file tax returns. Other exemptions include public utility activity, agricultural production, rental of real property, and investment income earned by businesses other than financial institutions.

### **Tax credits:**

Businesses are authorized a credit against tax. Under the credit, if the amount of tax due is less than \$420 per year, then the credit is equal to the amount of tax due. If the amount of tax due is greater than \$420 per year, then the amount of the credit is equal to \$840 minus the amount of tax due. The credit results in a certain amount of income being exempt from tax, but the exemption is phased out on a dollar for dollar basis until no exemption remains at twice the amount of the exemption. The following table shows the exemption amounts and the amount at which the exemption is phased out for most businesses.

<b>B&amp;O Tax Credit - Exemption Equivalents</b>		
<b>Tax Category</b>	<b>Exemption</b>	<b>Phase-out</b>
Manufacturing, wholesaling, & extracting	\$83,004	\$166,008
Retailing	\$89,172	\$178,344
Selected business services	\$21,000*	\$42,000
Financial services	\$26,250	\$52,500
Other services	\$22,963*	\$45,927

\* Even though these exemptions are less than \$24,000, no tax is due and no tax return needs to be filed if income is \$24,000 per year or less.

A credit is authorized for manufacturing, research and development, and computer service businesses located in distressed areas if they create employment of at least 15% above the prior year. Businesses may claim \$2,000 as a credit against the tax for each new job created. No business may receive more than \$300,000 in credits, and no more than \$15 million may be taken in any biennium by all businesses. In addition, a B&O tax credit is available to manufacturing, research and development, and computer service businesses located in distressed areas that provide job related training at no charge to their employees. The tax credit is equal to 20% of the value of the job training not to exceed \$5,000 per business per year.

There is also a tax credit until December 31, 2004, for research and development expenditures for high technology firms that spend 0.92% of their gross income on research and development. The amount of the credit is 0.515% of eligible research expenditures for nonprofit institutions and 2.5% for other firms, with a \$2.0 million maximum annual credit per firm.

#### **Distribution of Revenues:**

All business and occupation tax revenues are deposited in the general fund.

#### **Local B&O Taxes:**

Cities and towns may also levy a municipal business tax. The tax may be levied on the type of business, on the number of employees, the amount of floor space used, or on gross receipts. The maximum rate for the municipal business tax on gross receipts is 0.2%.

#### **Public Utility Tax**

Public utility activity is exempt from the B&O tax and is subject to a gross receipts public utility tax instead. The tax is passed directly on to customers through the rate structure. Therefore, it

effectively becomes a sales tax. The public utility tax is estimated to generate \$438.4 million in the 1997-99 biennium and comprises 2.3% of general fund tax revenues.

**Tax base:**

Public utility activities, including electricity, water, natural gas, sewerage collection, and various transportation services.

**Rates:**

There are five state tax rates, but most public utilities pay at the 3.852% rate. The following table lists the rates for various activities.

Public Utility	Rate
Express, telegraph, natural gas, and sewerage collection companies	3.852%
Light and power companies	3.873%
Water distribution companies	5.029%
Taxicabs, limousine services, other urban transportation carriers, and marine vessels for hire under 65 ft. (except tugboats)	0.642%
Motor transportation (except urban transportation), railroad, railroad car, tugboat firms, and public utilities not elsewhere classified	1.926%

**Major Exemptions:**

Public utilities with gross receipts of less than \$2,000 per month are exempt from taxation. Also, two major exemptions include telephone services, which are subject to sales tax, and solid waste collection, which is subject to a separate tax.

**Distribution of Revenues:**

The majority of the revenues collected from the public utility tax are deposited in the general fund. A portion of the revenues collected from water distribution and sewerage collection businesses are deposited in the public works assistance account.

**Local Public Utility Taxes:**

Cities and towns may levy a municipal business tax of up to 6% on public utilities, unless a higher rate is approved by voters. There is no rate limit on garbage, water, and sewer services.



## **Insurance Premiums Taxes**

Insurance premiums are exempt from the B&O tax and are subject to an insurance premiums tax instead. The insurance premiums tax is estimated to generate \$299.5 million in the 1997-99 biennium and comprises 1.1% of general fund tax revenues.

### **Tax base:**

Net premiums received by authorized insurers, except title insurers, after deduction of premiums returned to policyholders. Ocean marine and foreign trade insurers are taxed on their gross underwriting profit.

### **Rates:**

The tax rate is 2.0%, except on ocean marine and foreign trade insurers the rate is 0.95%.

### **Major Exemptions:**

Title insurers, pensions, annuities, and profit-sharing plans, health insurance pool premiums, and fraternal benefit societies.

### **Distribution of Revenues:**

Revenues are deposited in the general fund, except 40% of the taxes on fire insurance premiums is deposited into the volunteer firemen's relief and pension fund and 45% of the taxes on fire insurance premiums is deposited into city firemen's pension funds.

## **Cigarette and Tobacco Products Taxes**

The cigarette and tobacco products taxes are added directly to the price of these goods before the sales tax is applied. The cigarette and tobacco products taxes are estimated to generate \$155.6 million in the 1997-99 biennium and comprise 0.8% of general fund tax revenues.

### **Tax base:**

Cigarettes and tobacco products sold in Washington.

### **Rate:**

Cigarettes (per pack):	82.5 cents
Tobacco products:	74.9% of the wholesale price.

### **Major Exemptions:**

Sales to persons in other states, foreign countries, instrumentalities of the U.S., or to established governing bodies of any Indian tribe recognized as such by the U.S. Department of the Interior. (Sales by Indian tribes to non-Indians are taxable.)

**Distribution of Revenues:**

Revenue from the first 23 cents of the cigarette tax goes to the general fund. The next 8 cents is dedicated to water quality improvement programs through June 30, 2021, and to the general fund thereafter. The next 41 cents goes to health care. The remaining 10.5 cents is dedicated to youth violence prevention and drug enforcement. For tobacco products tax revenues, 48.15% goes to the general fund, 10% to the health services account, and the remaining 16.75% is dedicated to water quality improvement programs through June 30, 2021, and to the general fund thereafter.

**Real Estate Excise Tax**

Sales of real property are subject to the real estate excise tax. This tax is estimated to generate \$572.4 million in the 1997-99 biennium and comprises 2.3% of general fund tax revenues.

**Tax base:**

The tax is applied to the selling price of real property and is paid by the seller. The tax also applies to the transfer or acquisition for a valuable consideration within any twelve-month period of a controlling interest in any entity with an interest in real property in this state. The tax is applied to the value of the real estate transferred.

**Rate:** 1.28%

**Major Exemptions:**

Sales of property by a governmental entity, and property acquired by gift, inheritance, or a similar transfer.

**Distribution of Revenues:**

7.7% of revenues are dedicated to local public works projects. The remainder is deposited in the general fund for the support of the common schools.

**Local Real Estate Excise Tax:**

Cities and counties may levy a tax of 0.25% for capital improvements. Cities and counties may impose an additional 0.5% if they do not impose the second 0.5% of the local sales tax, but this tax is subject to referendum. Cities and counties may levy additional taxes of up to 0.25% for growth management programs, but cities and counties not required to plan under the growth management act must obtain voter approval before imposing the tax. Finally, counties may impose a tax of up to 1.0% to finance the acquisition of conservation areas, subject to voter approval. City taxes are imposed in the city and county taxes are imposed in the unincorporated areas of the county, except the tax for conservation areas is county-wide. The conservation area tax is paid by the buyer. The typical combined state and local tax rate is 1.53%.

## **Alcoholic Beverages Taxes**

State liquor taxes are imposed on hard liquor, beer, and wine. For the 1997-99 biennium, it is estimated that \$146.3 million of liquor taxes will be distributed to the general fund, comprising 0.8% of general fund tax revenues.

### **Tax base:**

Taxes on hard liquor or spirits are imposed on a volume and sales tax basis. Taxes on beer and wine are imposed on a volume basis.

### **Rates:**

#### Hard Liquor or spirits

Liquor Liter Tax	\$2.3308/liter (\$2.4408 FY98)
Liquor Sales Tax	
Establishments selling liquor for consumption on premises (Class H)	13.1% (13.7% FY98)
All other liquor consumers	19.7% (20.5% FY98)

#### Wine:

Fortified wine excise tax	\$0.4536/liter
Unfortified wine excise tax	\$0.2292/liter

#### Fermented apple/pear cider:

Wine excise tax (same rate per 31 gallons as beer)	\$0.0611/liter (\$0.0814 FY98)
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#### Beer:

Beer excise tax	\$7.172/31 gallons (\$9.562 FY98)
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Note: Liquor sold in Class H establishments is also subject to state and local sales taxes.

### **Major Exemptions:**

Sales to the armed services are exempt.

### **Distribution of Revenues:**

Liquor Liter: Revenues generated by the first \$1.9608 per liter are deposited in the general fund. Revenues generated by \$0.07 per liter are dedicated to youth violence prevention and drug enforcement. The remaining \$0.30 per liter (\$0.41 beginning FY98) is deposited in the health services account.

Liquor Sales: Most of the revenues from the tax are distributed to the general fund. A portion is deposited in the health services account. The remainder is distributed to counties and cities based on population.

Wine Excise/Fermented apple and pear cider: The wine excise tax and the tax on fermented apple and pear cider is split in a complex manner between the general fund, local law enforcement programs, counties and cities, Washington State University wine research, the Washington Wine Commission, and youth violence prevention and drug enforcement. A portion of the tax on fermented apple and pear cider is deposited in the health services account.

Beer Excise: Revenues are split between the general fund, cities and counties based on population, the health services account, and youth violence prevention and drug enforcement.

**State Liquor Board License fees and Liquor Store Revenues:**

The State Liquor Control Board collects License fees and revenues from sales of liquor in state stores. After deducting administrative costs, revenues are split between the general fund, cities, and counties.

**Estate & Transfer Tax**

The estate and transfer tax applies to transfers of property at death. The tax is estimated to generate \$112.3 million in the 1997-99 biennium and comprises 0.6% of general fund tax revenues.

**Tax base:**

Transfers of property belonging to persons domiciled in Washington at the time of their death.

**Rates:**

The tax is equal to the amount of tax which the federal government allows as a credit against the federal estate tax. As a result, the tax would be paid to the federal government if the state did not impose it. It therefore "picks up" the federal credit.

**Major Exemptions:**

Because the tax is tied to the federal credit, it only applies to estates valued at more than \$600,000 (or \$1,200,000 for a community property couple).

**Distribution of Revenues:**

Revenues are deposited in the general fund.

## **PROPERTY TAXES AND IN-LIEU PROPERTY TAXES**

### **Property Tax**

The property tax is the single largest source of revenue for local governments, generating about \$6.2 billion for local governments for the 1997-99 biennium. The property tax is the third largest source of revenue to the state general fund and will generate about \$2.7 billion for the state for the 1995-97 biennium. This comprises 13.8 percent of general fund tax revenues. The statewide average tax rate for 1996 taxes was \$13.82 per \$1,000 of valuation. Of this, \$3.51 was the state regular levy, \$5.44 was for local regular levies, and \$4.87, or 35.2 percent, was for voter-approved excess levies.

#### **Tax base:**

The property tax is applied to the assessed value of all property except that which is specifically exempted by law. The tax base is segregated into the two broad classifications of real property and personal property.

#### **Valuation:**

All taxable property must be valued at 100% of its true and fair value and must be assessed as such unless the law specifically provides otherwise. True and fair value means market value or the amount of money a willing buyer would pay a willing seller. County assessors revalue property periodically on a regular revaluation cycle. The length of the revaluation cycle varies by county. The most common length is four years.

Certain qualified lands (agricultural, open space, and timber lands) are valued on the basis of their current use. Application must be made for current use designation.

#### **Uniformity:**

The Constitution requires that the property tax of a taxing district be imposed uniformly throughout its boundaries. This means that taxes must be the same on property of the same market value. The state Supreme Court has upheld the four-year revaluation cycle against a uniformity challenge if it is administered in a systematic and nondiscriminatory manner.

#### **Major Exemptions:**

The only class of property which is exempted by the State Constitution is that owned by the United States, the state, its counties, school districts, and other municipal corporations, but the state Constitution allows the Legislature to exempt other property from taxation. The state Constitution also authorizes property tax relief for retired property owners. The parameters of the program are set by the Legislature and are currently based on age and income.

Other exemptions have been enacted in statutory form by legislative action.

## **Property Tax Limits**

### **Constitutional 1.0% Tax Rate Limit**

The sum of regular property tax rates is limited to a maximum of 1.0% (or \$10.00 per \$1,000) of the true and fair value of the property.

#### **The limit applies to:**

The 1% limit applies to the total tax rate for any individual parcel of property, not to taxing districts. The total regular (non-voted) tax rate includes the state school levy rate, county levy rates, city or town levy rates, hospital district rates, fire district rates, library district rates, etc.

#### **The limit does not apply to:**

The limit does not apply to regular levies by port districts and public utility districts. Port district and public utility district regular levies are each limited separately by statute to 45¢ per \$1,000 of assessed value.

#### **Levies in excess of the 1% limit:**

Levies in excess of the 1% limit require voter approval. Excess levies are usually approved in terms of total dollars. The assessor determines the rate necessary to raise the money approved by the voters every year. This rate is then added to the regular levy rates.

#### **Statutory rate limits:**

Statutory rate limits and an aggregate limit are set so that the cumulative total of levy rates cannot exceed the 1% limit. These maximum rate limits are expressed in terms of a dollar value per \$1,000 of assessed value. The statutory rate limits per \$1,000 of assessed value are as follows: state levy for education (\$3.60), counties (\$1.80), cities and towns (\$3.375), hospital districts (75¢), fire districts (50¢/50¢/50¢), library districts (50¢), conservation futures (6.25¢), emergency medical services (50¢), cultural arts/stadium districts (25¢), park and recreation districts (60¢), flood control zone districts (50¢), airport districts (75¢), ferry districts (\$1.25), water districts (50¢), and cemetery districts (11.25¢).

**Aggregate \$5.90 levy limit:** This limit of \$5.90 per \$1,000 of assessed value is a statutory limit on the aggregate levies of taxing districts, except the state levy for K-12 education. If the cumulative total of these levies exceeds the \$5.90 limit, the assessor prorates the levy rates as directed in statute to reduce the levy rates to levels within the \$5.90 limit.

### **106% Levy Limit**

Each year, the regular property tax levies of taxing districts are limited to 106 percent of the highest levy of the three preceding years plus the amount of revenue that new construction, improvements to property, or changes in state-assessed property would have generated at the preceding year's tax rate. To remove the incentive to maintain a high levy, taxing districts other than the state are assumed to have levied the maximum allowed since 1986.

**The limit applies to:**

The limit applies to the regular levies of each property taxing district. This includes the state, counties, cities, port districts, fire protection districts, library districts, metropolitan park districts, public hospital districts, etc.

**The limit does not apply to:**

The limit does not apply to excess (voter-approved) levies such as local school maintenance and operation levies and levies to retire bond issues.

**Levies in excess of the 106% limit:**

Levies in excess of the 106% limit require voter approval. If such a levy is approved, it becomes the base used to calculate future levies, unless approved for a limited time or purpose.

**The 106% limit does not:**

- a) Limit an individual taxpayer's property taxes to 6% growth per year.
- b) Limit an individual taxpayer's assessed value to 6% growth per year.

**Calculation of levy tax rate and individual tax bill:**

Once the maximum allowable levy amount is determined, the county assessor calculates the tax rate by dividing the total levy amount by the amount of taxable property in the district. This rate is then multiplied by the assessed value of an individual parcel of property to determine the tax bill for that property.

### **Timber Excise Tax**

The timber excise tax is imposed on all timber harvests. The timber excise tax is expected to generate \$51.7 million to the general fund in the 1997-99 biennium. This comprises 0.3% of general fund tax revenues.

**Tax base:**

The tax is levied on the stumpage value at harvest from all public and private lands.

**Rate:**

The state tax rate is 5% of the harvest value of the logs from public and private lands. Counties may impose a 4% tax on the harvest of logs from private lands. For private lands, a credit is allowed against the state tax for any county tax that is imposed.

**Exemptions:**

There is a simplified method of taxation for small harvesters, who are defined as individuals or companies cutting less than 2.0 million board feet per year. In addition, tax liabilities less than \$50

per quarter in any calendar year are exempt. Credit is received for the amount of any property taxes paid on timber on public lands.

**Distribution of Revenues:**

Both state and county revenues are deposited in the timber tax distribution account. Funds are distributed quarterly to the state and to counties. County receipts are further distributed to taxing districts by a formula which reflects the assessed value of forest land in the respective districts. Districts that have approved excess property tax levies for capital purposes receive funds first. Next, funds are distributed to school districts in relation to their excess levy rates. Any remaining funds in the timber tax distribution account are shared by all local districts.

**Motor Vehicle Excise Tax (MVET)**

The Motor Vehicle Excise Tax (MVET) is paid by all vehicle owners who use their vehicles on the highways. The MVET is estimated to generate \$921.6 million for the state general fund. This comprises 4.8% of general fund tax revenues. About \$368.6 million of this remains in the general fund after formula distributions.

**Tax base:**

The MVET is a tax on the privilege of using a motor vehicle in the state. The tax is measured by the tax rate applied to the vehicle manufacturer's suggested retail price. The manufacturer's suggested retail price is reduced for each year of service using a statutory schedule.

**Rate:**

The rate for motor vehicles is 2.2%. The rate for truck-type power units used in combination with trailers for loads over 40,000 pounds is 2.78% (unless to haul logs). The trailer is exempt. Local governments may levy an additional 0.8%. For travel trailers and campers, the rate is 1.1%.

**Major Exemptions:**

Exemptions from this tax include government vehicles, vehicles designed for use off public highways, vehicles used entirely upon private property, vehicles owned by nonresident military personnel at the time they were first stationed in Washington, vehicles used primarily for commuter ride sharing and ride sharing for persons with special transportation needs, the value of vehicles attributable to modifications to facilitate use by handicapped persons, and motor vehicles owned by Indian tribes and enrolled tribal members.

**Distribution of Revenues:**

Receipts from the 2.0% portion of the tax are distributed as follows:

- (1) 1.6% for administrative costs.
- (2) 8.15% to the Puget Sound capital construction account (ferries).
- (3) 4.07% to the Puget Sound ferry operations account.



- (4) 5.88% to cities and towns for police and fire.
- (5) 4.75% to the municipal sales and use tax equalization account.
- (6) 1.6% to the county sales and use tax equalization account.
- (7) 5.969% to the county criminal justice assistance account.
- (8) 1.1937% to the municipal criminal justice assistance account (high crime distribution).
- (9) 1.1937% to the municipal criminal justice assistance account.
- (10) 2.95% to county public health account.
- (11) 57.644% to the state general fund.
- (12) 5% to the transportation fund.

Receipts from the 0.2% portion of the tax are deposited into the transportation fund.

Of the additional tax on truck-type power units, 90% is distributed in the same manner as the 2.0% rate, and 10% is deposited in the transportation fund.

Receipts from the 1.0% portion of the travel trailer and camper excise tax is distributed 15% to cities based on population, 15% to counties based on tax collected, and 70% to the general fund for the common schools. Receipts from the 0.1% portion of the tax are deposited into the transportation fund.

### **Public Utility District Privilege Tax**

The public utility district privilege tax applies to the electric generating facilities of public utility districts for the privilege of operating. The tax is in addition to state and local public utility taxes. The tax is estimated to produce \$62.8 million in the 1997-99 biennium for the state general fund. This comprises 0.3% of general fund tax revenues.

#### **Tax base:**

The tax is based on the gross revenue derived from the sale of energy, the number of kilowatt-hours sold, and the wholesale value of energy produced in thermal electric generating plants.

#### **Rate:**

For hydroelectric dams and other facilities, the rate is 2.14% of gross revenues from the sale of power to consumers through the district's distribution system and 5.35% of the first 4 mills per kilowatt-hour 1) of the wholesale value of self-generated energy distributed to consumers by a district and 2) of revenue obtained from sales of self-generated energy for resale. The rate for thermal electric generating facilities (Hanford) is 1.605% of the wholesale value of energy produced for sale or use.

#### **Major Exemptions:**

Net uncollectible amounts.

**Distribution of Revenues:**

Receipts are distributed through a complex formula to the state, the counties, and local taxing districts.

**Watercraft Excise Tax**

The watercraft excise tax is an annual tax imposed on watercraft in lieu of a property tax. The tax is estimated to produce \$19.6 million in the 1997-99 biennium for the state general fund. This comprises 0.1% of general fund tax revenues.

**Tax base:**

The tax applies to the fair market value of noncommercial boats which are used on Washington waters. Fair market value is the latest purchase price, reduced according to a depreciation schedule adopted by the Department of Revenue.

**Rate:**

The rate of tax is 0.5% of the value.

**Major Exemptions:**

Boats not required to be registered in Washington, commercial fishing boats, boats under 16 feet in length, government vessels, vessels owned by nonprofit youth organizations, and vessels in dealers' inventories which are not regularly rented.

**Distribution of Revenues:**

Receipts are deposited in the state general fund.